



TACOMA HOUSING AUTHORITY

RESOLUTION 2015-08-26 (9)

Date: August 26, 2015
To: THA Board of Commissioners
From: Michael Mirra
Executive Director
Re: Sixth Avenue Property Purchase (commonly known as Outrigger Apartments)

This resolution would approve THA's purchase of Outrigger Apartments.

Background

On April 22, 2015, Resolution 2015-04-22 (3) authorized THA's Executive Director to negotiate and execute an agreement to purchase the Outrigger Apartments located on Sixth Avenue in West Tacoma. The purchase would serve the following goals:

- acquire Property in area where THA has a limited presence
- investment and return in future
- cash flow over time
- maintain more affordable rents in an area where rents are expected to rise

The Purchase and Sale Agreement provided a due diligence period to assess the condition of the property and to finalize financing terms acceptable to THA. It also conditions a final sale on THA Board approval.

THA staff completed its due diligence review that included inspections of the property to identify capital needs and cost. The degree of capital need was as expected for the age of the building. The financial model for funding of capital improvements ensures that the project goals stated above are attainable. Heritage Bank will provide the financing. Heritage Bank's terms will allow THA to acquire the property, complete the up-front capital improvements and take out the existing Union Bank loan.

Loan Terms

Option A: Term Loan

Loan Amount:	Up to \$3,100,000
Loan Term:	Up to 10 years
Amortization Period:	30 years
Interest Rate and Terms:	<ul style="list-style-type: none">• Tax exempt equivalent of the 5-year Federal Home Loan Bank rate plus 210 basis points.• The interest rate is subject to change on the 5th anniversary of the Note.
Rate Using Above Interest Rate/Terms if closed today	2.45%
Estimated Loan Fees:	Not-to-Exceed \$20,000

Option B: Floating Rate Loan with Swap

Loan Amount:	Up to \$3,100,000
Loan Term:	Swapped at 5, 7 and 10 years
Amortization Period:	30 years
Interest Rate:	Tax exempt equivalent of the then-current 1 month LIBOR rate plus spread of 200 basis points, swapped for 5, 7 and 10 years
Rate Using Above Interest Rate/Terms if closed today:	2.45%
Estimated Future Rates at 5, 7 and 10 years:	5 years: 2.28% 7 years: 2.86% 10 years: 3.02%
Estimated Loan Fees:	Not-to-Exceed \$20,000

Estimated Sources

THA Cash Investment:	\$ 574,272
Heritage Bank Loan	<u>\$3,071,650</u>
Total Sources	\$3,645,922

Estimated Uses

Purchase Price	\$3,013,706
Capital Improvements	\$ 600,000
Estimated Fees	<u>\$ 32,216</u>
Total Uses	\$3,645,922

Recommendation

Approve Resolution 2015-08-26 (9) authorizing THA's Executive Director to execute financing with Heritage Bank and close on the acquisition of the Sixth Avenue Property (commonly known as Outrigger Apartments).



TACOMA HOUSING AUTHORITY

RESOLUTION 2015-08-26 (9)

Sixth Avenue Property Purchase (commonly known as Outrigger Apartments)

A **RESOLUTION** of the Board of Commissioners of the Housing Authority of the City of Tacoma

WHEREAS, THA owns and manages affordable rental housing in Tacoma; and

WHEREAS, THA is interested in acquiring existing rental housing to meet its short and long term financial and community goals, including providing cash flow to subsidize its programs; and

WHEREAS, THA does not own rental housing in West Tacoma and believes that rental rates in this area will increase and affect affordably priced rental housing in the area; and

WHEREAS, THA wants to acquire property that is close to shopping, public transit, employment, recreational services and other community amenities; now, therefore, be it

Resolved by the Board of Commissioners of the Housing Authority of the City of Tacoma, Washington as follows:

Authorize THA's Executive Director to execute financing with Heritage Bank and close on the acquisition of the Sixth Avenue Property (commonly known as the Outrigger Apartments).

Approved: August 26, 2015


Stanley Rumbaugh, Chair